



1914

U. S. SECURITIES GOVERNMENT FINANCE AND RESERVE BANK ORGANIZATION

NEW YORK, August, 1914.

Branch Banks under the Federal Reserve Act.

CONGRESS made provision in the Federal Reserve Act for the establishment of foreign branches by member banks. Branch banking and the extension of banking facilities into foreign countries is a matter little understood in the United States. But this recent legislation provides a potential impetus to trade expansion and an instrumentality which should be carefully studied and made use of for the furtherance of our international interests. The National City Bank is therefore developing plans in connection with this new legislation which will so far as possible assist in broadening the sphere of American commercial activity.

The present courses of trade and international finance in South America, which have been developed largely through the ability and cooperation of European countries, have caused the business men of this country to feel some degrees of hesitation about venturing to establish financial institutions there, and that hesitation has not been without justification. Moreover, under the National Bank Act it has not been possible to open branches which would be directly under the control and part of the parent institution. At the present time, however, this step which the national government has taken to make financial expansion to foreign lands more easy of accomplishment, and the real necessity which exists for this country to take all possible means to achieve success in the world wide struggle for commercial supremacy, have led The National City Bank to participate in the movement by extending its banking facilities into South America. The decision was reached not upon a basis of estimated outlay and return, but upon a basis of whether or not American business interests would find these banking facilities, organized and conducted by an American institution, of great help and value in extending business relations. There has been more disposition to look with some breadth of vision on what this country, with its great resources and industrial and administrative ability could accomplish in the world's markets than to consider the question of immediate financial return from the proposed branches. As a result of these general considerations, therefore, application has been filed to open branch banks in Argentina and in Brazil, and representatives are now in those countries preparing the way for a definite organization of these branches as soon as the Federal Reserve Board has granted authority to proceed.

To make the branches of the greatest possible service to American interests, it is, of course, necessary for business organizations throughout the entire country to cooperate in the way of giving counsel as to what is essential for the promotion of trade, and also through active association with The National City Bank in its efforts to make the service as complete as possible.

Commercial Relations with South America.

For years, American commerce with South America has paid tribute to European countries, and England in particular, in the way of profits upon exchange, drawn chiefly on London. Through its wonderful banking facilities and world position, London has been a great factor in promoting international trade and has undoubtedly received only its due in the matter of profits from international transactions. However, it is not too much to hope that our trade with South America may eventually be done through direct transmission of credits between it and the United States. This, of course, can best be facilitated by such a step as establishing branch banks in South America. Furthermore, the distances are so great, business customs and language so dissimilar, and mutual acquaintance, at the present time, on such a superficial basis, that the credit information and confidence which grows up through extensive commercial intercourse is not developed in any great degree. Nothing is so hampering to trade relations as a lack of just this kind of knowledge and confidence, and it is proposed in establishing these branches to bring a personal relationship into the situation and obtain a personal knowledge of conditions that will be of great value to importers and exporters on both continents.

In the matter of business opportunities, excellent work is now being done by the American Consular Service in a general sense for our foreign trade as a whole, though naturally this service by the Government cannot, under the laws, be specific in its character, and it is forced to refuse all credit information of any kind whatsoever.

The remarkable results achieved by the Consular Corps since its reorganization in 1906 have been the means of showing the need in every foreign country of such a specific and personal service for the direct benefit of manufacturers as only a highly developed private organization with both the power and capacity for collecting and issuing credit information and special exclusive trade reports can undertake.

Those desiring this circular sent to them regularly will receive it without charge upon application.

Some of the large companies have representatives in South America who, of course, have served them well, but for the great majority of American manufacturers and exporters the barriers to commercial relations through failure to have this personal touch has, up to this time, prevented any growth of our business comparable to what the proximity of the countries and the mutual interests involved, should warrant.

The Aim of the Service.

The National City Bank hopes to be a clearing house of trade information for the benefit of manufacturers who are endeavoring to develop their international activities. It proposes to give information as to customs matters and to assist in eliminating customs difficulties which arise through lack of familiarity with conditions and requirements. It intends to develop a library of general information, commercial laws and customs and of business catalogues, which will greatly facilitate trade investigations; and to, in certain circumstances, undertake these investigations for its customers. In addition to conducting the technical banking operations of the branches, the bank will have commercial representatives who will devote themselves to reporting on business opportunities, gathering credit information and assisting in many details of business representation. This project, which is now being developed as rapidly as possible, and will result in a definite organization as soon as permission is granted by the Federal Reserve Board, has met with a most gratifying response throughout the country. It is hoped that the service developed and the cooperation received will justify the extension of branches or agencies at other South American points.

The Anti-Trust Program.

The Senate of the United States is now engaged in daily consideration of the three measures said to constitute the administration's "anti-trust" program. One of these relates particularly to the issue of railroad securities, while the other two are designed to supplement the Sherman anti-trust law. All three have passed the House, and, with some alterations, are expected to pass the Senate before the present session closes. The discussion, however, discloses wide differences of opinion over questions of policy and of law, even among senators who are in substantial agreement as to what they seek to accomplish. There is a balancing of possible evils against hoped-for benefits that indicates great uncertainty and confusion, and, notwithstanding the heat of Washington and the weariness of members, the situation is such as to promise an animated and protracted debate. It is evident that not in many years has the Senate faced a task about which the members felt so many misgivings as they do concerning the one now before them. The revision of the tariff and the reorganization of the banking and currency system were simple matters compared with an attempt to provide for official supervision over the conduct of business in the United States, not only compelling all rivals to compete but restricting their competition to approved methods.

The Issue of Railroad Securities.

The deplorable condition of several great railroad companies at the present time, and the publicity given their affairs during the last two years, is undoubtedly responsible for the strength of the proposal to have all railroad borrowings and stock issues approved by the Interstate Commerce Commission, but the bill is supported by many who hold that unless there is federal supervision there will be state supervision, and that the former is preferable. The most common objection is that the Interstate Commerce Commission is being overworked, that it is physically impossible for the members personally to attend to the many responsibilities being placed upon them, and that in delegating such duties to employees the commission will suffer the same deterioration in efficiency that has characterized some of the overgrown corporations; and, finally, that it is impracticable for the commission to place itself in the position of the owners of all railroads and determine the questions of policy which are sought to be carried out by the issue of stock or securities.

Again, some of the most prominent critics of the railway companies are opposed to having the Interstate Commerce Commission charged with any responsibility as to railway securities or capitalization, holding that such responsibilities may be embarrassing in the future. Answering all these objections the friends of the bill say that as amended it simply names the proper purposes for which stock or securities may be issued, and charges the commission to grant permits accordingly and to see that the funds are so expended, but that the commission is not charged with determining questions of policy, and will have no responsibility for policies.

Regulation of Monopoly and Competition.

The other two bills deal with questions that are much more complicated. They are conceded to involve a radical departure in legislation, in that they attempt to regulate not only monopoly but competition, and to say how far competition in private business may go. The thought in the minds of the legislators undoubtedly is to protect the comparatively weak competitor from the deliberate and calculated warfare of a stronger rival who is seeking to eliminate him from the field by the various practices called "unfair." In other words, the intent of Congress is to prevent the aggressive, destructive kind of competition that is aimed primarily at a rival and prompted not by the present desire to sell goods but by desire to obtain a future control of the market. But there is great difficulty in distinguishing between a perfectly legitimate motive which may at times prompt a man to sell goods even at a loss and the illegitimate motive which is sought to be restrained. In short the legislators recognize that it is very difficult to convict a man of an illegitimate intent when the acts complained of may be innocently performed. Because it seems to be impracticable to define all of the unfair practices that may be used, or to describe the particular conditions under which a given practice is unfair, it is proposed to delegate these powers to a trade

commission; but in attempting to do this other difficulties are confronted. Congress no doubt has the authority in the regulation of interstate commerce to declare certain practices unfair, but there is a question whether it may delegate to some other body the function of declaring what is unfair; and still another question whether it may deprive any accused person of a trial in the regularly constituted courts of justice, and yet another question whether the approval of such a body would afford any protection from prosecution in the regular courts. In short the question is raised whether there is any place for a body of the broad authority here proposed in our system of government, wherein all authority is distinctly divided by the Constitution into the Legislative, Executive and Judicial departments. It is true that these same questions were debated when the several grants of authority to the Interstate Commerce Commission were made, and the authority of that commission to fix "reasonable" rates is claimed as analogous to the authority to define "unfair" practices. Although the authority of the Interstate Commerce Commission has limitations and is subject under the terms of the law to review by the courts, it is effectively exercised.

The New Authority.

Laying aside all constitutional questions, there is evidently much uncertainty in the Senate as to the wisdom and practicability of vesting so much authority over the common practices of the business community in any commission. Evidently the idea of a trade commission that will tell every man what he may do, and protect every honest man from the unfair competition of others, is a pleasing one, in these days of stress, to many people, for many letters and resolutions from trade organizations have endorsed it. This is one reason why Congress feels that despite its own doubts it must go ahead. But not a few of the Senators are wondering whether the authors of the resolutions understand in what vague terms the new authority must be established and how important a step it is in the movement toward the governmental, political and popular control of what have been heretofore regarded as private business affairs. "We have believed" said Senator Borah, of Idaho, in his speech in the Senate, "that however severe the competition, things would finally adjust themselves to the public good. * * * This bill marks the beginning of the time when the business of the country will be controlled through bureaus and commissions." The theory of those who have this view is that familiarity with authority begets its further use, and that a commission possessed of unlimited power to regulate and temper competition will constantly extend its interference with private initiative. The result in their opinion will be an unavoidable loss of individual freedom, originality and aggressiveness, a weakening of the springs of progress, and a certain fixity of conditions that will serve to protect even the big concerns whose domination is feared.

These are some of the considerations that cause the Senate to hesitate and debate and hunt for new language and new light before coming to the final

vote on these measures, although thoroughly tired and eager to close the session.

These bills relate only to interstate business, which, under the Constitution, Congress has authority to deal with.

The bills will be considered in the following order:

First, the Trade Commission Bill, now before the Senate;

Second, the Clayton Anti-Trust Bill;

Third, the Stocks and Bonds Bill.

Interstate Trade Commission Bill.

The Federal Trade Commission to consist of five members is created. They are to be appointed by the President with the advice and consent of the Senate.

One is to be appointed for a term of three years, one for four, one for five, one for six, and one for seven; and after the commissioners shall have been so first appointed, all appointments, except to fill vacancies, shall be for terms of seven years each.

The salary of each Commissioner is to be ten thousand dollars a year, the Secretary five thousand, and Assistant Secretary four thousand.

The commission is authorized to appoint such attorneys, special agents, experts, examiners and other employees as may, from time to time, be appropriated for by Congress.

The commission is given power:

To investigate from time to time, and as often as the commission may deem advisable, the organization, business, financial condition, conduct and practices and management, of any corporation engaged in interstate commerce, and its relation to other corporations and individuals, associations and partnerships.

To require any corporation, subject to the provisions of this act, which the commission may designate, to furnish to the commission, any information, statements, or records concerning its organizations, business, financial condition, practices, management and relation to other corporations or to individuals, associations or partnerships and to require the production of all books, documents, correspondence, contracts, memoranda, or other papers in any way affecting the commerce in which engaged, and to make copies of the same.

To prescribe uniform system of annual reports and to require its reports and any special reports called for to be made under oath.

The commission is authorized to make public, in its discretion, any information obtained by the exercise of its powers, except so far as may be necessary to protect trade processes, names of customers, and such other matters as the commission may deem not to be of public importance, and to make annual and special reports to Congress and to submit therewith recommendations for additional legislation.

In any suit in equity brought by the Attorney General, if the court finds for the complainant, it may, upon the motion of any party to such suit,

refer the matter of the form of the decree to be entered to the commission as a master in chancery.

To investigate and determine whether the decrees procured by the Attorney General are being carried out or are being violated and what, if any, further order, decree, or relief is advisable.

If the commission believes from its inquiries that any corporation has violated any law of the United States regulating interstate commerce, it shall report its findings and the evidence in relation thereto to the Attorney General with its recommendations.

For the purpose of prosecuting any investigation or proceeding authorized, the commission or its duly authorized agents, shall, at all reasonable times, have access to, and the right to copy any documents or writings of any corporation being investigated or proceeded against.

The commission is directed to investigate trade conditions in foreign countries where associations, or practices of buyers, or dealers may injuriously affect the export trade of the United States and also to investigate whether American exporters have combined with each other or with foreign producers or dealers to control prices abroad, and to report to Congress from time to time.

The powers and jurisdiction conferred upon the commission shall extend over all trade associations, corporate combinations, and corporations engaged in and affecting interstate commerce, except banks and common carriers.

That unfair competition in interstate commerce is declared unlawful and the commission is empowered and directed to prevent corporations from using unfair methods of competition in interstate commerce.

If the commission shall have reason to believe that any corporation is using unfair methods in competition it shall serve upon such corporation a written order directing it to appear before the commission and show cause why an order shall not be issued restraining it from using such methods, and if it is found that the competition in question is prohibited by this Act it shall issue an order prohibiting the use of the same.

If it is found that any corporation has not complied with such order the commission may petition the district court of the United States, within any district where the method in question was used or where the corporation is located or carries on business, asking for an injunction to enforce such order of the commission.

If any corporation subject to this Act shall fail to file any annual or special report called for within the time fixed by the commission and such failure shall continue for thirty days after notice of default, the corporation shall forfeit to the United States one hundred dollars for each day of the continuance of such failure.

Any person who shall willfully destroy, mutilate, or remove out of the jurisdiction of the United States, any book, letter or paper containing an entry relating to interstate commerce, the production of which the commission may require, or who shall make any false entry relating to such commerce in any book of accounts or record, or who shall make any false statement or record, shall

be guilty of a misdemeanor and upon conviction shall be punished by a fine not exceeding five thousand dollars or by imprisonment not exceeding one year, or by both, in the discretion of the court.

Any employee of the commission who shall divulge any facts which may come to his knowledge in the course of his employment by the commission, except as authorized by the commission, shall be deemed guilty of a misdemeanor and upon conviction shall be punished by a fine not exceeding five thousand dollars or by imprisonment for not more than one year, or both, in the discretion of the court.

The commission shall have and exercise the powers possessed by the Interstate Commerce Commission to subpoena and compel the attendance and testimony of witnesses and the production of evidence, and to administer oaths.

The several departments and bureaus of the Government, when directed, shall furnish the Commission, upon its request, all records, papers, and information in their possession relating to any trade association, corporate combination, or corporation subject to any of the provisions of this Act.

The Clayton Anti-Trust Bill.

Forbids any person engaged in interstate commerce to discriminate between different purchasers of commodities with the purpose or intent to thereby destroy or wrongfully injure the business of a competitor.

This Act does not apply to the Philippine Islands.

Forbids any person to lease or sell a commodity on condition or understanding that the lessor or purchaser shall not deal in the commodities of a competitor.

Makes decree or judgment in action by the United States under anti-trust law prima facie evidence against defendants in action brought by other parties.

Authorizes suit in the federal courts by any person injured by the violation of the anti-trust laws without regard to the amount involved and shall recover three fold the amount of damages sustained, together with costs and attorney's fees.

Fixes the time in which suits may be brought, or indictments found for violations of the anti-trust laws at six years and the running of the statute is suspended during the pendency of an injunction suit by the United States.

Exempts labor, agricultural and horticultural organizations instituted for the purpose of mutual help, and lawfully carrying out the legitimate purposes of their organization, not only from the provisions of this Act, but of existing anti-trust laws.

Forbids any corporation engaged in interstate commerce to hold stock of another corporation so engaged, the effect of which is to eliminate or substantially lessen competition or create a monopoly.

Forbids a corporation to hold the stock of two or more corporations where such effect will result. This is not to apply:

To corporations purchasing stock for investment; or

To common carriers aiding in the construction of branch railroads, feeders of its line.

Forbids any common carrier to purchase supplies or make contracts for construction or maintenance to the amount of \$50,000 a year or more, for any one year where the two have interlocking directors except upon competitive bidding and unless such purchases shall be made from the lowest bidder.

Makes it unlawful to prevent or attempt to prevent anyone from bidding.

Makes it the duty of the carrier to report the transaction of purchase with all particulars to the Interstate Commerce Commission.

If the commission finds transactions to be in violation of the law, it shall report the same to the Attorney General.

Every director and other officer of the carrier taking part in any transaction in violation of this section is made liable to a fine of \$25,000 and confinement in jail not exceeding two years.

Forbids any person after two years to be a director in two or more corporations any one of which shall have capital, surplus and undivided profits aggregating more than \$1,000,000 where such corporations are or have been competitors in business.

Gives the person holding the position of director in two or more corporations one year after his election, within which to sever his connection from all but one without liability.

Makes it a felony, on the part of any director or officer of a common carrier to embezzle, steal, abstract or misapply any of its moneys, funds, credits, securities, property or assets.

Interstate Commerce Commission and Federal Trade Commission are authorized to enforce the law.

Provides the procedure of the commissions in enforcing the Act and for the making of an order to cease such violation.

May, through district attorney, apply to district court to enforce the order.

Disobedience is punished by fine or imprisonment, or both.

Appeal from the order allowed to any court having jurisdiction and further appeal may be made to the Supreme Court of the United States.

Suits under anti-trust laws may be brought either in the district in which the corporation is domiciled or where it transacts business.

Subpoenas for witnesses in either civil or criminal actions may run into other districts.

Makes officer of corporation liable personally for any violation of the anti-trust laws.

Suits in equity may be maintained in district courts to prevent violations of the law.

Gives private individuals the right to sue and have injunctive relief in the federal courts.

Requires notice and bond before issuing restraining order or injunction and that such order shall set forth the reason for issuing it.

Provides that no restraining order or injunction shall be granted in action between employers and employees unless necessary to prevent irreparable injury to property or property rights.

No such restraining order or injunction shall issue either :

To prohibit any persons, whether singly or in concert, from quitting work or peaceably recommending, advising or persuading others by peaceful means so to do.

Or from peacefully persuading any person to work or abstain from working.

Or from withholding their patronage from any party to such dispute or from recommending or advising or persuading others by peaceful and lawful means so to do.

Or from paying or giving to or withholding from any person engaged in such dispute any strike benefits or other moneys or things of value.

Or from peacefully assembling in a lawful manner and for lawful purposes.

Or from doing any act or thing which might lawfully be done in the absence of such dispute by any party thereto.

Nor shall any of the acts above mentioned be considered or held to be in violation of the anti-trust laws.

Provides that proceedings for contempt not committed in the presence of the court coming within the purview of the Act, may, upon the demand of the accused be tried by jury.

Provides for appeal in contempt proceedings.

Proceedings for contempt shall not be commenced after one year.

Proceedings in contempt shall not be a bar to criminal prosecution.

Bill To Prevent Overissues of Securities by Carriers.

Authorizes the Interstate Commerce Commission to compel annual reports, under oath, by common carriers doing an interstate business showing all the facts about its stock and securities, cost and value of its properties, franchises and equipments, number of employees, their salaries, amounts expended for improvements each year, and the earnings and receipts, operating and other expenses, balance of profit and loss, and a complete exhibit of the carrier's financial operations each year, including an annual balance sheet, information in relation to rates or regulations concerning fares or freights, or agreements, arrangements, or contracts affecting the same, and the keeping of a uniform system of accounts and making of monthly and special reports on any subject the commission may require, including a balanced statement of its receipts on capital account and of the surplus of the income account accruing during the period covered, and all other financial transactions that may be called for.

The commission is given the power to investigate all financial transactions of the carriers and examine into the actual cost and value of property acquired by or services rendered to them.

The carrier may be required to furnish information respecting every interest, direct or indirect, of the directors, stockholders, officers, agents or

attorneys, employees, receivers, or operating trustees of such carrier in any transaction under investigation.

In addition the commission may require the carrier to furnish any further statements of fact or evidence.

The commission may prescribe the forms of accounts and books to be kept by the carrier, and to keep any other is unlawful.

The commission is given the right of access to all books and papers in the hands of the carrier, its officers, stockholders, agents, attorneys, employees, receivers, or operating trustee provided that all communications between the attorney and client giving or seeking professional advice shall be deemed privileged.

Authorizes the appointment of special agents or inspectors, who are given the right to inspect, examine all books and papers they may wish to examine and forbids examiners to disclose their contents.

Makes it a penal offense to refuse access of these special agents or inspectors to books and papers, punished by heavy forfeitures.

Makes it a penal offense to make any false entries or accounts, or any accounts other than those prescribed by the commission, or to fail to make any entry or to make them full, true or correct, or to destroy any account or entry, etc., under penalty of fine and imprisonment.

Courts are authorized to issue writs of mandamus to compel compliance with requirements of the commission.

Special agents and examiners are authorized to administer oaths, examine witnesses, and receive evidence.

Requires issuance of receipt or bill of lading for goods shipped, but the same shall not relieve the carrier from any liability under this Act. Makes carrier liable for the value of goods notwithstanding limitation of value in receipt or bill of lading except where goods are concealed from view.

Interstate Commerce Commission may establish rates dependent on value as stated in writing by shipper.

Preserves right of action of shipper under existing law.

Makes it unlawful for carrier to shorten period of giving notice of loss to less than ninety days or for filing claim to less than four months or for bringing suit to less than two years.

Carrier issuing receipt may recover amount it is compelled to pay from carrier on whose road loss occurred.

Makes it unlawful for any carrier to issue any certificates of stocks, bonds, or other evidence of indebtedness, or to assume any obligation or liability unless:

First—It be for some purpose within its corporate powers and for the construction, extension, enlargement, betterment, or equipment of its railroad or use thereof, or the payment or refunding of valid indebtedness or the lawful acquisition of the property of another common carrier for the protection or improvement of its prop-

erty heretofore acquired not connected with its business as a common carrier of such last named expenditure will not injuriously affect the public interest nor impair its ability to perform its public duty as a common carrier.

And then only when such issue is approved by the commission. None of the securities shall be used for any purposes other than those allowed by the commission. The commission may fix a minimum price at which the securities may be sold or may require the said securities to be offered for sale on competitive bidding.

(A) The application for leave to issue shall be in the form prescribed by the commission, and includes:

1. The total amount of the issue and how authorized on behalf of the carrier.

2. The number and amount and kind of all its securities outstanding.

3. The amount and kind of securities to be issued and whether to be sold, pledged, or held in the Treasury and the terms upon which they are to be disposed of and the consideration, etc.

4. The number, amount and kind of its securities so authorized and not then to be issued.

5. If the issue is of shares of stock the number, face value, whether common or preferred, and number and kinds already outstanding.

Second—The application must state the preferences or privileges granted to holders of any such securities; date of maturity, whether cumulative or not, and any conversion rights granted to the holders thereof and the price, if any, at which any such securities may be retired or redeemed.

Third—The application must state the purpose to which the proceeds are to be applied.

Fourth—The application must state if it is proposed to assume the obligation of any other person, natural or artificial, the financial condition of such other person and the object of such assumption to be accompanied by copies of any agreements or contracts therefor.

The application must be made under oath by the President or other Executive officer.

When securities pledged or held unincumbered shall subsequently be sold, or otherwise disposed of, the carrier must file a certificate to that effect and give all the information called for by subdivision "A", above, and such other facts as the commission may require.

On application for leave to issue securities the commission is required to give notice to the proper authority of the State in which the carrier operates, and such State representative is authorized to be heard, and the commission may hold such hearings as it deems advisable.

The action of approval shall not be construed as a guaranty or any obligation on the part of the United States.

The foregoing provisions of this section shall not apply to notes to be issued by any said carrier maturing not more than two years after the date thereof and aggregating not more than five per centum at any time of the securities of said carrier then outstanding.

Commissioners must require periodical or special reports from all carriers issuing securities, including such notes, or entering into any obligations as aforesaid, which shall show in detail the disposition thereof and the application of the proceeds therefrom.

It is declared to be unlawful for any common carrier railroad corporation subject to the Act to regulate commerce as amended, even though permitted by the authority creating such company, to acquire by lease, purchase, or otherwise any interest in any railroad, boat line or electric line or any stock, or any of the securities of any corporation or association owning, controlling, or operating the same, unless the commission, upon application and hearing, shall find that the acquisition will not impair the ability of either of said carriers to perform its service to the public as a common carrier;

Provided, That such finding shall not affect the legality of such acquisition under the Act to protect trade and commerce against unlawful restraints and monopolies.

The issue of securities not authorized as above may be enjoined in a suit in equity brought by the commission in any district court of the United States of competent jurisdiction. Any person who knowingly aids, abets, or procures any such violation, shall be guilty of a misdemeanor and upon conviction be punished by a fine of not more than ten thousand dollars or by imprisonment for not more than three years or by both such fine and imprisonment, in the discretion of the court.

The term "common carrier railroad corporation" is not to be construed to include street railway or electric interurban lines unless they form a part of a railroad system operated in part with steam.

It is declared to be unlawful for any officer or director of any such carrier to receive for his own benefit any money or thing of value in respect of the negotiation, hypothecation, or sale by the carrier of any securities issued or to be issued by the carrier or to participate in making or paying of any dividends of an operating carrier except from its profits or surplus. Violations of this provision are punishable in any court of the United States having jurisdiction by a fine not exceeding ten thousand dollars or imprisonment for a term not exceeding three years or both, in the discretion of the court.

Election of Directors in Federal Reserve Districts.

Early in the past month the Federal Reserve Organization Committee prepared lists of the electors who had been selected by the different banks in each Federal Reserve District. A sample page is reproduced below which

gives a few of the names of the District Reserve Electors for member banks in District No 1, Group 1. Group 2 was handled in a similar manner.

Form 19.

District Reserve Electors for Member Banks in District No. 1.

GROUP No. 1.

Place of business.	Name of bank.	Name of elector.
CONNECTICUT.		
Ansonia	Ansonia National Bank	Charles H. Pine.
Bridgeport	City National Bank	L. S. Catlin.
Bridgeport	Connecticut National Bank	H. S. Shelton.
Bridgeport	First Bridgeport National Bank	Charles G. Sanford.
Danbury	City National Bank	M. H. Griffing.
Danbury	Danbury National Bank	Thomas C. Millard.
Derby	Birmingham National Bank	Frank M. Clark.
Greenwich	Greenwich National Bank	W. J. Smith.
Hartford	Aetna National Bank	Alfred Spencer, Jr.
Hartford	Charter Oak National Bank	Lucius A. Barbours.
Hartford	First National Bank	James H. Knight.
Hartford	Hartford National Bank	H. W. Stevens.
Hartford	National Exchange Bank	Elijah C. Johnson.
Hartford	Phoenix National Bank	Leon P. Broadhurst.
Meriden	First National Bank	C. L. Rockwell.
Meriden	Home National Bank	R. J. Doolittle.
Middletown	Middletown National Bank	Wm. H. Burrows.
Naugatuck	Naugatuck National Bank	F. W. Tolles.
New Britain	New Britain National Bank	F. S. Chamberlain.
New Haven	First National Bank	Thomas Hooker.
New Haven	Merchants National Bank	H. V. Whipple.
New Haven	National New Haven Bank	Victor Morris Tyler.
New Haven	National Tradesmens Bank	George M. Gunn.
New Haven	New Haven County National Bank	E. G. Stoddard.

The Preferential Ballots.

Preferential ballots for directors in Class A and Class B directors were also prepared and forwarded to the subscribing banks. These ballots were identical in the form of regulations and instructions. Separate ballots, however, contained the lists of nominees who were to be voted for by Group 1, 2, or 3, to fill the Class A or Class B directorships.

We have produced two pages from a typical ballot which show how generally banks in certain groups endorsed a particular nominee:

Form 18.

District No. 1.

Group No. 1.

PREFERENTIAL BALLOT.

Regular Election of Class A and Class B Directors.

FEDERAL RESERVE BANK OF BOSTON.

This ballot is for use by district reserve elector in voting for one

CLASS

A

DIRECTOR.

in

Federal Reserve District No. 1

Group No. 1

Note.—Read instructions carefully before filling out this certificate.

CERTIFICATE OF DISTRICT RESERVE ELECTOR.

To—

WILLIAM G. MCADOO, *Secretary of the Treasury*,
DAVID F. HOUSTON, *Secretary of Agriculture*,
JOHN SKELTON WILLIAMS, *Comptroller of the Currency*,
Reserve Bank Organization Committee,
Acting Chairman of Board of Directors,
Federal Reserve Bank of Boston.

In accordance with section 4 of the act of Congress approved December 23, 1913, known as the Federal Reserve act, I hereby certify that my first, second, and other choices for a class A director of the Federal Reserve Bank of Boston are as indicated thus (X) in the appropriate column of this ballot. That is to say,.....

..... is my first choice,
(Name of first choice.)

..... is my second choice,
(Name of second choice.)

and.....is my third choice
(Name of third choice.)
of those nominated by the member banks in this group for
director of class A.

.....
District Reserve Elector,
For.....
(Name and location of bank.)

Extract from Section 4 of the Federal Reserve Act,
relating to Election of Directors, Class A
and Class B.

Each member bank shall be permitted to nominate to the chairman one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each elector.

Every elector shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and other choices of a director of class A and class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each elector shall make a cross opposite the name of the first, second, and other choices for a director of class A and for a director of class B, but shall not vote more than one choice for any one candidate.

Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the first column, then there shall be added together the votes cast by the electors for such candidates in the second column and the votes cast for the several candidates in the first column. If any candidate then have a majority of the electors voting, by adding together the first and second choices, he shall be declared elected. If no candidate have a majority of electors voting when the first and second choices shall have been added, then the votes cast in the third column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared.

Instructions to District Reserve Elector

The following instructions must be followed carefully. Failure to observe same will invalidate this ballot.

Indicate in the appropriate column by cross mark thus (X) your first, second, and other choices for one class A director.

Do not vote more than one choice for any one candidate.

Vote your first choice in the first column; vote your second choice in the second column; vote your third choice in the third column, and all other choices in columns as indicated.

Be sure to indicate at least three choices. This provision of the statute is mandatory, and failure to indicate second and third choices will invalidate your vote.

Fill in carefully the certificate on page 1 of this ballot, and to avoid any probability of error write in the names of your first, second, and other choices in the body of the certificate as indicated.

This ballot with the certificate duly executed must be returned to the committee within fifteen (15) days from its receipt.

To expedite the organization of the Federal reserve bank of your district it should be returned *promptly*, so that the election may be completed without delay.

The time within which the Federal reserve bank of your district will be open for business will depend upon the prompt action of the electors of your district in returning these ballots.

This ballot must be signed by the district reserve elector in order to be counted.

RESERVE BANK ORGANIZATION COMMITTEE,
By M. C. ELLIOTT, *Secretary*.

(THE BALLOT)
CLASS A DIRECTOR.

District No. 1.

Group No. 1.

Name of candidate.

Nominated by following banks.

Thomas P. Beal, of Boston, Mass.

Ansonia National, Ansonia, Conn.
Birmingham National, Derby, Conn.
National Exchange, Hartford, Conn.
Yale National, New Haven, Conn.
Second National, New Haven, Conn.
Merchants National, New Haven, Conn.
National Bank of Commerce, New London, Conn.
National Whaling, New London, Conn.
Thames National, Norwich, Conn.
Manufacturers National, Waterbury, Conn.
Waterbury National, Waterbury, Conn.
National Shoe & Leather, Auburn, Me.
First National, Bangor, Me.
Merchants National, Bangor, Me.
Second National, Bangor, Me.
First National, Lewiston, Me.
First National, Portland, Me.
Casco National, Portland, Me.
Webster and Atlas, Boston, Mass.
National Security, Boston, Mass.
Second National, Boston, Mass.
National Union, Boston, Mass.
Mutual National, Boston, Mass.
First National, Boston, Mass.
Commercial National, Boston, Mass.
Boylston National, Boston, Mass.
Massasoit-Pocasset National, Fall River, Mass.
First National, Fall River, Mass.
Fall River National, Fall River, Mass.
First National, Greenfield, Mass.
City National, Holyoke, Mass.
Bay State National, Lawrence, Mass.
Lynn National, Lynn, Mass.
National City, Lynn, Mass.
First National, Malden, Mass.
Milford National, Milford, Mass.
First National, New Bedford, Mass.
Merchants National, New Bedford, Mass.
Chicopee National, Springfield, Mass.
Bristol County National, Taunton, Mass.
Ware National, Ware, Mass.
Merchants National, Worcester, Mass.
Mechanics National, Worcester, Mass.
Manchester National, Manchester, N. H.
First National, Manchester, N. H.
Mechanics National, Concord, N. H.
First National, Concord, N. H.
Springfield National, Springfield, Mass.
Keene National, Keene, N. H.
Aquidneck National, Newport, R. I.
Mechanics National, Providence, R. I.
National State Capital, Concord, N. H.
Providence National Bank, Providence, R. I.
New Haven County National Bank, New Haven, Conn.

Alfred L. Ripley, of Andover, Mass.

First Ward National, Boston, Mass.
Canal National, Portland, Me.

Harry W. Stevens, of Hartford, Conn.

The Middletown National, Middletown, Conn.
First National, Amherst, Mass.

Charles C. Harrington, of Providence, R. I.

United National, Providence, R. I.
National Exchange, Providence, R. I.

(N. B. In the ballot this form appears opposite the page shown above.)

Vote of District Reserve Elector.

[Indicate in proper column thus (X) your first, second, and other choices.]

These choices <i>must</i> be indicated.			These choices <i>may</i> be indicated.	
First choice.	Second choice.	Third choice.	Fourth choice.	Fifth choice.

The Polls to Close August 1, 1914.

The following circular letter dealing with the election was sent out by the Reserve Bank Organization Committee:

July 23, 1914.

Sir:

On June 3 all member banks were notified to ELECT by their Boards of Directors a District Reserve Elector and to NOMINATE a candidate for Class "A" Director and a candidate for Class "B" Director for the Federal Reserve Bank of their respective districts. Blank forms, approved by the Reserve Bank Organization Committee, were mailed to each bank for use in reporting the names of their nominees for Directors and their District Reserve Elector. On June 18 and July 2 additional notices were sent to all delinquent banks, calling attention to the fact that the statute required each bank to elect a District Reserve Elector in order that such bank might exercise its right to vote.

On July 4 preferential ballots were mailed to the District Reserve Electors of all banks in Districts 10, 11, and 12 which had certified the names of their Electors to the Committee. On July 6 preferential ballots were mailed to such District Reserve Electors of the remaining districts.

Under the terms of the statute, the Electors are allowed fifteen days after receipt of such ballots to send in their votes. All banks in the western districts should have received their ballots, mailed on July 4, not later than July 9 and all banks in the other districts should have received their ballots, mailed on July 6, not later than July 10. Therefore, electors in Districts 10, 11, and 12 should return their ballots, duly executed, by July 24 (fifteen days after their receipt) and such ballots should be in the hands of the Committee not later than July 29. The electors in the other districts should return their ballots, duly executed, not later than July 25 (fifteen days after their receipt) and such ballots should likewise be received by the Committee not later than July 29.

You are accordingly hereby notified that the polls will be definitely and finally closed on August 1, 1914, and that no votes for Class "A" and Class "B" Directors received after this time can be counted in this election.

Respectfully,

RESERVE BANK ORGANIZATION COMMITTEE.

By M. C. ELLIOTT,

Secretary.

Elected Federal Reserve Bank Directors.

Under the provisions of Section 4 of the Federal Reserve Act, a candidate receiving a majority of the first choice votes for Class "A" or Class "B" Directors in the several Federal Reserve Banks is declared elected. If no candidate receives a majority of first choice votes the first and second choices are added together and the candidate receiving the majority of the aggregate first and second choice votes is declared elected. If no candidate receives a majority of the first and second choice votes, the first, second and third choices are added together and the candidate receiving the highest number of the aggregate first, second and third choice votes is declared elected.

Under the preferential ballot system, therefore, where the electors vote their first, second and third choices, as required by the statute, there is certain to be an election on the one ballot.

The ballots as received are being listed in a register kept for that purpose. In a number of instances candidates have already received first choice votes of more than a majority of all member banks in their respective group. Accordingly, the votes still to be received cannot alter the result but such candidates will, necessarily, be declared elected.

The Organization Committee had announced up to July 28th the names of those candidates whose elections have so far been assured, as follows:

Up to the close of business July 30th the Organization Committee had announced the election of the following directors:

FEDERAL RESERVE DISTRICT No. 1

Class A—Group 1. Thomas P. Beal, Boston, Mass.

DISTRICT No. 2.

Class A—Group 1. William Woodward, New York, N. Y.
" " " 2. Robert H. Treman, Ithaca, N. Y.
" B " " 1. H. R. Towne, New York, N. Y.
" " " 2. Wm. B. Thompson, Yonkers, N. Y.

DISTRICT No. 3.

Class A—Group 1. Charles J. Rhoads, Philadelphia, Pa.
" B " " 1. Alba B. Johnson, Philadelphia, Pa.

DISTRICT No. 4.

Class A—Group 1. Robert Wardrop, Pittsburgh, Pa.
" B " " 1. Thomas A. Combo, Lexington, Ky.

DISTRICT No. 5.

Class A—Group 1. Waldo Newcomer, Baltimore, Md.
" " " 2. John F. Bruton, Wilson, N. C.
" " " 3. Edward Mann, Bluefield, W. Va.
" B " " 1. George J. Seay, Richmond, Va.
" " " 2. D. R. Coker, Harpersville, S. C.
" " " 3. James F. Oyster, Washington, D. C.

DISTRICT No. 6.

Class B—Group 1. P. H. Saunders, New Orleans, La.
" " " 2. J. A. McCrary, Decatur, Alabama.

DISTRICT No. 7.

Class A—Group 1. George M. Reynolds, Chicago, Ill.

DISTRICT No. 8.

Class A—Group 1. Walker Hill, St. Louis, Mo.
" " " 2. F. O. Watts, St. Louis, Mo.
" B " " 1. Murray Carlton, St. Louis, Mo.
" " " 2. W. B. Plunkett, Little Rock, Ark.

DISTRICT No. 9.

Class A—Group 1. F. W. Decker, Minneapolis, Minn.
" " " 2. J. B. Hanna, Fargo, N. D.
" " " 3. J. C. Bassett, Aberdeen, S. D.
" B " " 1. F. R. Bigelow, St. Paul, Minn.
" " " 2. F. P. Hixon, La Crosse, Wis.
" " " 3. Norman B. Holter, Helena, Mont.

DISTRICT No. 10.

Class A—Group 1. Gordon Jones, Denver, Col.
" " " 2. W. J. Bailey, Atchison, Kans.
" " " 3. C. E. Burnham, Norfolk, Nebr.
" B " " 1. M. L. McClure, Kansas City, Mo.
" " " 3. L. A. Wilson, El Reno, Okla.

DISTRICT No. 11.

Class A—Group 1. Oscar Wells, Houston, Texas.
" B " " 1. Marion Sanson, Fort Worth, Texas.
" " " 2. Frank Kell, Wichita Falls, Texas.

DISTRICT No. 12.

Class A—Group 1. C. K. McIntosh, San Francisco, Cal.
" B " " 1. A. B. C. Dohrman, San Francisco, Cal.
" " " 2. J. A. McGregor, San Francisco, Cal.

Crop Moving Funds.

On July 25th Secretary to the Treasurer announced that he would deposit approximately \$34,000,000 in certain cities throughout the country, for "crop moving and other legitimate business purposes." The distribution to these funds was based on replies received to a letter sent by the Treasury Department to National Banks. The Secretary is prepared to begin deposits immediately the necessary requirements have been complied with by the applicant banks. Deposits will be made subject to call, but it is the intention of the Secretary to leave the funds with the banks for such period as each particular bank may require, "in no event however to exceed six months. As far as practicable the banks will be permitted to return the money to the Treasurer in installments to suit their convenience."

Interest will be charged at the rate of 2 per cent per annum, and the Government will accept as security Government bonds at par, State, Municipal, Railroad and other bonds, acceptable to the Secretary, at 75 per cent of their market value; approved commercial paper, acceptable to the Secretary, at 75 per cent of its face value. The Secretary will not require, as he did last year, that 10 per cent of the deposits shall be secured by Government bonds.

All collateral offered as security must be approved by a local committee appointed by the Clearing House in each city, and by a representative of the Government chosen by the Secretary. In Sub-Treasury cities the Assistant Treasurer of the United States, in addition to the Government's special representative, will be a member of the local committee.

THE NATIONAL CITY BANK OF NEW YORK.

"City Bank Service."

CORRESPONDENTS and depositors find this service unsurpassed. It is the outgrowth of 100 years' business experience and success.

The excellence of the service is attested by the continuous growth of our resources.

The service is available to you and might become invaluable. We should be glad to hear from bankers, merchants and manufacturers who contemplate opening a New York account or who may wish to establish new or additional banking facilities.

None too large; none too small.

THE NATIONAL CITY BANK OF NEW YORK.

